



**MEKONG RIVER COMMISSION  
OPERATING EXPENSE BUDGET**

**Income and Expenditure Statement  
for the year ended 31 December 2009**

**Mekong River Commission – Operating Expense Budget  
Income and Expenditure Statement for the year ended 31 December 2009**

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**KPMG Lao Co., Ltd**  
4<sup>th</sup> floor 37 K.P. Tower  
23 Singha Road  
Ban Phonexay, Saysettha District  
P.O. Box 6978  
Vientiane Capital, Lao PDR

Telephone + 856 (21) 900344  
+ 856 (21) 900527-8  
Fax +856 (21) 900347  
Email infolao@kpmg.com

## REPORT OF THE INDEPENDENT AUDITORS

### To the members of the Joint Committee of the Mekong River Commission

We have audited the income and expenditure statement (“the statement”) of the Operating Expense Budget of the Mekong River Commission (“the Commission”) for the year ended 31 December 2009, as set out on pages 2 to 8. This statement is the responsibility of the Commission’s management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the statement has been prepared in accordance with a modified cash basis of accounting. This is a basis of accounting used by the Mekong River Commission; it does not produce financial statements that are compatible with International Financial Reporting Standards.

In our opinion the income and expenditure statement for the year ended 31 December 2009, is prepared, in all material respects, in accordance with the basis of accounting and accounting policies set out in Notes 2 and 3.

  
  
KPMG Lao Co., Ltd.  
Vientiane

12 February 2009


**Mekong River Commission – Operating Expense Budget  
Income and Expenditure Statement for the year ended 31 December 2009**

	Notes	2009 USD	2008 USD
<b>Income</b>			
<b>Contributions</b>			
Contributions - riparian governments	4	1,444,608	956,042
		<u>1,444,608</u>	<u>956,042</u>
<b>Revenue</b>			
Interest	5	25,051	36,014
Management and administration fees	6	1,781,431	1,301,678
Miscellaneous revenue		2,717	5,352
		<u>1,809,199</u>	<u>1,343,044</u>
<b>Total Income</b>		<u>3,253,807</u>	<u>2,299,086</u>
<b>Expenditure</b>			
Salaries and fees	7	964,604	834,758
Common staff costs	8	551,747	546,945
Official travel	9	25,557	23,226
Contractual services	10	99,405	96,772
General operating expenses	11	199,482	181,253
Supplies	12	31,794	26,732
Furniture and equipment	13	79,297	90,115
MRC meeting expenses	14	293,503	201,775
Support to National Mekong Committees, Water Utilisation Programme and other programmes	15	61,733	47,949
Repayment of relocation project loan	16	60,000	100,000
<b>Total Expenditure</b>		<u>2,367,122</u>	<u>2,149,525</u>
<b>Operating Surplus</b>		886,685	149,561
<b>Operating Expense Budget balance at 1 January</b>		<u>1,369,989</u>	<u>1,220,428</u>
<b>Operating Expense Budget balance at 31 December</b>	18	<u>2,256,674</u>	<u>1,369,989</u>

*The notes set out on pages 3 to 8 form an integral part of this statement*

Approved by:

  
Jeremy Bird  
Chief Executive Officer  
MRC Secretariat

  
Nguyen Thu Mai  
Chief, Finance and Administration Section

**Mekong River Commission – Operating Expense Budget**  
**Notes to the Income and Expenditure Statement for the year ended 31 December 2009**

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These notes form an integral part of, and should be read in conjunction with, the accompanying income and expenditure statement.

**1. Principal activities**

The Mekong River Commission (“MRC” or “the Commission”) was established in 1995 with the signing of the Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin. The MRC member countries are Cambodia, the Lao PDR, Thailand and Vietnam, with China and Myanmar as dialogue partners.

The role of the MRC is to promote and coordinate sustainable management and development of water and related resources for the countries’ mutual benefit and the people’s well being. It fulfils this role by providing scientific information and policy advice and implementing strategic programs and activities in accordance with the 1995 Agreement.

**2. Basis of preparation**

The financial statements, expressed in United States Dollars (“USD”), have been prepared in accordance with a modified cash basis of accounting. This is a basis of accounting used by the Mekong River Commission; it does not produce financial statements that are compatible with International Financial Reporting Standards. Under this basis of accounting, income is recognised when received rather than earned, except for interest income which is recognised when earned. Expenditure is recognised when paid rather than incurred, except for: staff health and life insurance premiums, personal telephone costs charged to staff and repatriation fee, which are recognised on an accruals basis; and advances to National Mekong Committees, projects and employees, which are recognised when cleared.

**3. Summary of significant accounting policies**

*(a) Property and equipment*

For control and management purposes, a memorandum account for property and equipment is maintained by way of a property and equipment listing. All property and equipment is expended in full at the date of acquisition.

*(b) Foreign currency transactions*

Monetary assets and liabilities denominated in currencies other than USD are translated into USD at rates of exchange ruling at the balance sheet date. Transactions in currencies other than USD are translated into USD at the MRC operational rates of exchange on the date of the transactions. All exchange differences are recorded in the income and expenditure statement.

**Mekong River Commission – Operating Expense Budget**  
**Notes to the Income and Expenditure Statement for the year ended 31 December 2009**  
**(continued)**

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**4. Contributions from riparian governments**

	<b>2009</b>	<b>2008</b>
	<b>USD</b>	<b>USD</b>
Cambodia	316,258	297,350
Lao PDR	316,258	297,350
Thailand	419,236	-
Vietnam	392,856	361,342
	<u>1,444,608</u>	<u>956,042</u>

MRC received and recorded the annual contribution from Thailand for the year 2008 amounting of USD383,521 in 2007.

**5. Interest**

Interest is earned on MRC funds and contributions from development partners. The interest is used following the specific agreement between MRC with the development partners for either project expenditures or OEB expenditures, or is returned to the development partners.

**6. Management and administration fees**

Revenue for management and administration fees comes from development partners. Management and administration fees are calculated at 11% of expenditure for most projects. The revenue is used to cover the expenses of the Secretariat in rendering technical and administrative services to MRC projects.

**7. Salaries and fees**

	<b>2009</b>	<b>2008</b>
	<b>USD</b>	<b>USD</b>
Professional posts	628,476	540,804
General service posts	287,272	261,959
Temporary general services	41,988	22,011
Overtime payments	6,868	9,984
	<u>964,604</u>	<u>834,758</u>

**Mekong River Commission – Operating Expense Budget**  
**Notes to the Income and Expenditure Statement for the year ended 31 December 2009**  
(continued)

**8. Common staff costs**

	<b>2009</b>	<b>2008</b>
	<b>USD</b>	<b>USD</b>
Dependency allowances – professional staff	13,049	12,658
Assignment/relocation allowances	1,476	26,950
Housing allowances	25,770	34,943
Post allowances	70,772	57,565
Hardship allowances	43,489	37,431
Dependency allowances – general staff	43,665	43,626
Uniforms/laundry allowances	1,367	1,071
Devaluation allowances – professional staff	23,725	40,455
Devaluation allowances – general staff	42,413	23,316
Provident fund – professional staff	87,187	75,013
Provident fund - general staff	36,655	34,815
Medical insurance	12,890	18,924
Life and accident insurance	4,995	4,222
Medical examinations	122	919
Education grants	39,137	32,525
Home leave travel	5,378	21,317
Recruitment	25,043	9,524
Separation costs	15,522	13,413
Other training	34,418	49,506
Other costs	24,674	8,752
	<u>551,747</u>	<u>546,945</u>

**9. Official travel**

	<b>2009</b>	<b>2008</b>
	<b>USD</b>	<b>USD</b>
External travel	13,047	17,926
Riparian travel	12,510	5,300
	<u>25,557</u>	<u>23,226</u>

**10. Contractual Services**

	<b>2009</b>	<b>2008</b>
	<b>USD</b>	<b>USD</b>
External audit	35,228	36,170
External printing	24,168	16,152
EDP system development	17,795	5,075
Security guards	18,141	10,157
Miscellaneous contractual services	4,073	29,218
	<u>99,405</u>	<u>96,772</u>

**Mekong River Commission – Operating Expense Budget**  
**Notes to the Income and Expenditure Statement for the year ended 31 December 2009**  
**(continued)**

**11. General operating expenses**

	<b>2009</b>	<b>2008</b>
	<b>USD</b>	<b>USD</b>
Office improvements	15,350	14,237
Office maintenance	18,932	8,039
Utilities	56,598	55,353
Equipment rental and maintenance	13,120	8,099
Vehicle operation and maintenance	6,991	14,761
Vehicle insurance	5,053	-
Internet and e-mail	27,786	29,497
Telephone installation, rent and maintenance	1,927	271
Local telephone calls	2,945	4,340
Long distance telephone calls	7,106	4,262
Pouch and courier	1,704	2,986
Postage	1,771	171
Facsimile	749	1,184
Hospitality expenses	5,537	8,913
Non-life insurance	8,520	10,208
Bank charges	16,973	13,388
Miscellaneous expenses	8,420	5,544
	<u>199,482</u>	<u>181,253</u>

**12. Supplies**

	<b>2009</b>	<b>2008</b>
	<b>USD</b>	<b>USD</b>
Stationery	12,370	8,216
Document reproduction	124	125
Computer supplies	3,464	3,363
Books/periodicals	3,185	3,165
Audio visual aids	173	-
Other supplies	12,478	11,863
	<u>31,794</u>	<u>26,732</u>

**13. Furniture and equipment**

	<b>2009</b>	<b>2008</b>
	<b>USD</b>	<b>USD</b>
Furniture and fixtures	4,626	1,580
Non-EDP equipment	35,049	42,354
EDP equipment	28,731	26,029
EDP Software – ready made	10,891	20,152
	<u>79,297</u>	<u>90,115</u>



**Mekong River Commission – Operating Expense Budget**  
**Notes to the Income and Expenditure Statement for the year ended 31 December 2009**  
**(continued)**

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**14. MRC meeting expenses**

	<b>2009</b>	<b>2008</b>
	<b>USD</b>	<b>USD</b>
Council meetings	86,366	41,578
Joint Committee meetings	128,752	112,467
Development partner Consultative Group meetings	21,273	9,548
Dialogue meetings	12,355	5,083
Other meetings	44,757	33,099
	<u>293,503</u>	<u>201,775</u>

**15. Support to National Mekong Committees (“NMC”), Water Utilisation Programme and Other Programmes**

	<b>2009</b>	<b>2008</b>
	<b>USD</b>	<b>USD</b>
Cambodia NMC	15,000	15,000
Lao NMC	18,024	17,996
Thailand NMC	11,754	-
Vietnam NMC	13,975	17,474
Support to WUP	-	(2,521)
Support to other programmes	2,980	-
	<u>61,733</u>	<u>47,949</u>

**16. Relocation project loan**

This represents the drawdown of a loan facility amounting to USD 600,000 from the Government of the Lao PDR in 2003 which was used to finance the MRC Secretariat relocation to Vientiane (Lao PDR). The loan is unsecured and interest free. The MRC shall repay the loan gradually, upon availability of surplus funds from the MRC Operational Expense Budget (“OEB”) and/or funds made available from other sources, within five years; this may be extended to a maximum of ten years. The generation of surpluses from the OEB funds shall be subject to the approval of the Joint Committee.

During the year, the MRC made the fifth repayment amounting to USD 60,000 and the outstanding balance is USD 260,000.

**17. Provident Fund**

The Commission manages a provident fund, which had a balance at 31 December 2009 of USD1,501,067 (2008: USD 1,713,461), to provide a savings scheme in lieu of a pension fund on behalf of 159 (2008: 140) members of staff eligible for the scheme. Staff and Commission contributions are banked in a separate bank account. The Commission's contributions to the fund are included in the income and expenditure statement, as personnel services in respect of project expenditure, and as staff salaries and fees in respect of administrative expenditure; the provident fund is not otherwise reflected in the financial statements of the Commission.

**18. Operating Expense Budget balance at 31 December**

The operating expense budget balance at 31 December represents the Administrative Reserve Fund maintained by the MRC and recorded as "Operating Expenses Budget Surplus" in the financial statements of MRC. In 2009, the Joint Committee has approved a budget of USD 63,000 from the Administrative Reserve Fund for ensuring the maintenance of vital services of the MRCS in Vientiane and Phnom Penh for flood forecasting during floods and other emergency situations. During the year, USD 1,575 was utilized for this project. The Joint Committee has also approved a budget of USD 278,000 from the Administrative Reserve Fund for the initial drought management activities.